



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Patrick C. Lynch, Attorney General

August 4, 2010

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

Re: Docket No. 4034

Dear Ms. Massaro,

Enclosed for filing with the Rhode Island Public Utilities Commission ("Commission"), please find the comments of the Division of Public Utilities and Carriers ("Division") in connection with the above entitled-matter.

On January 15, 2010, the National Grid ("Company") submitted its proposed ARP program for FY 2011 and the Commission approved the filing on March 30, 2010. The ARP program targets two categories of capital improvements: natural gas main replacement and natural gas service line replacement. The natural gas main replacement plan ("MRP") is geared toward replacing small diameter cast-iron gas mains and bare-steel gas mains that are prone to corrosion leaks, while the natural gas service line replacement plan ("SRP") is designed to replace over a four (4) year period, approximately 8,500 high-pressure bare-steel inside service lines with new plastic gas lines that are not subject to corrosion. At the same time, the high-pressure service line that extends into a customer's house would be removed and the inside gas meter would be installed to the outside of the premises. Depending on the load characteristics of the residence, the Company would also install a safety flow limiter on the service line to prevent a release of natural gas in the event of third-party excavation damage.

Under the approved ARP program, the Company projected a total annual spending of approximately \$26.8 million, \$19.9 million on the MRP program and \$6.9 million on the SRP program. In a July 9, 2010 letter from National Grid, the Company requested the approval for a re-allocation of funds between service line and main replacement. The Company requested approval to modify the program by shifting \$2.9

million in funding from the SRP program to the MRP program but the total overall spending for the safety work will not change.

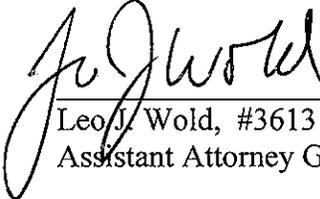
In its original FY 2011 ARP program submittal, the Company increased their annual target for natural gas service line replacements from 2,100 to 3,790, a level significantly beyond the four-year plan for annual replacements of service lines. As a result of work productivity gains associated with its MRP resulting from a revised labor agreement, the Company believes it can replace an additional five (5) miles of risk prone natural gas mains during FY 2011 and still be on-track for its service line replacement program.

The Division supports the requested re-allocation of work effort in the ARP program. As structured, any differences between budgeted and actual spending on the ARP is automatically adjusted through the DAC process.

In conclusion, the Division recommends that the Commission approve the Company's request to modify the FY 2011 Accelerated Replacement Program as filed.

Respectfully submitted,

Division of Public Utilities and Carriers
By its attorneys,



Leo J. Wold, #3613
Assistant Attorney General

cc: Service List